

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 EPG-02 OMB-01 NSC-05 SS-15 STR-04 CEA-01
L-03 /089 W

-----098516 181228Z /45

R 181128Z JUL 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 6398

UNCLAS ABU DHABI 2107

E.O. 11652: N/A
TAGS: EFIN, TC
SUBJECT: TAX EXEMPTION OF ASSETS HELD IN US BY ARAB MONETARY FUND

REF: ABU DHABI 1125, ABU DHABI A-26

1. DURING MY JULY 18 MEETING WITH ARAB MONETARY FUND DIRECTOR JAWAD HASHIM (SEPTTEL) HE SAID THAT FOREIGN EXCHANGE ASSETS DERIVED FROM SUBSCRIPTION TO AMF BY DIFFERENT MEMBER COUNTRIES WAS NOW BEING HELD IN US TREASURY BILLS. HOWEVER, HE INTENDED TO LIQUIDATE THESE HOLDINGS AND TRANSFER THEM TO EUROPEAN BANKS BECAUSE THE INTEREST ON THESE TREASURY BILLS WAS SUBJECT TO US WITHHOLDING TAX. JAWAD POINTED OUT THAT AMF, THE FIRST REGIONAL INTERNATIONAL MONETARY FUND OF ITS KIND WHOSE OPERATIONS ARE CLOSELY AKIN TO THOSE OF THE IMF, WILL SERVE AS A BANK FOR ARAB CENTRAL BANKS. SINCE CENTRAL BANK ASSETS IN US TREASURY BILLS ARE EXEMPT FROM WITHHOLDING TAX, HE COULD NOT UNDERSTAND WHY AMF WAS DENIED THIS PRIVILEGE. HOWEVER, AMF IS AN INTERNATIONAL INSTITUTION, NOT A PROFIT-MAKING ONE, AND ITS PURPOSE IS TO HELP INCREASE INTERNATIONAL LIQUIDITY. HASHIM SAID HE HAD RAISED MATTER WITH NEW YORK FED ON SEVERAL OCCASIONS BUT HAD BEEN TOLD IT WOULD TAKE TIME BEFORE ANY DECISION COULD BE MADE ON MATTER.

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2. COMMENT: IF THIS REPORT IS ACCURATE, IT SEEMS INCREDIBLY SHORT-SIGHTED ON OUR PART NOT TO ACCORD AMF SAME TAX PRIVILEGES ACCORDED TO CENTRAL BANKS OF OTHER COUNTRIES. AMF'S PAID IN CAPITAL WILL BE NEARLY 900 MILLION DOLLARS AND THIS IS LIKELY TO GROW IN NEXT FEW YEARS, MAKING IT LARGEST INTERNATIONAL INSTITUTION IN WORLD IN CAPITAL TERMS AFTER IMF AND IBRD. IT WOULD SEEM INCUMBENT FOR

USG TO WORK CLOSELY AND COOPERATE WITH AMF.

3. SINCE THIS SUBJECT WILL BE RAISED DURING FORTHCOMING VISIT
TO ABU DHABI OF NEW YORK FED RESERVE GOVERNOR JACKSON,
WOULD APPRECIATE GWCEIVING BY JULY 24 ANY BACKGROUND STATE OR
TREASURY CAN GIVE ME ON USG POSITION RE TAX LIABILITY OF
ASSETS HELD IN US BY ARAB MONETARY FUND.
DICKMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ASSETS, POLICIES, TAX RELIEF
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
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